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Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 INT-08 CEQ-02 COA-02

DODE-00 EPA-04 IO-14 L-03 NSF-04 NSC-10 PM-07 SCI-06

SS-20 DRC-01 /178 W
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FM AMEMBASSY MEXICO
TO SECSTATE WASHDC 8781

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E.O. 11652: N/A
TAGS: EIND, ETRD, MX
SUBJ: RECENT MEXICAN PRESS COVERAGE OF DOMESTIC STEEL INDUSTRY PROBLEMS

REF: A) MEXICO A-523, B) MEXICO A-533, C) MEXICO 7720

1. EMBASSY IS FORWARDING BY AIRGRAM THE MOST RECENT STATISTICS AVAILABLE ON MEXICAN STEEL CONSUMPTION FOR 1972 AS COMPARED TO 1971. THE TABLES WERE RECEIVED YESTERDAY FROM MEXICAN NATIONAL CHAMBER OF IRON AND STEEL INDUSTRY TO UPDATE INFO REFTEL AND REFAIR A.

2. IN RECENT WEEKS MEXICAN NEWSPAPERS HAVE CARRIED REPORTS THAT THE PRICE OF STEEL PRODUCTS MUST INCREASE AN AVERAGE OF 15 PERCENT TO KEEP THE INDUSTRY VIABLE. THIS IS ONE MORE EXAMPLE OF EFFECTS OF INFLATION ON MEXICAN ECONOMY DESCRIBED REFAIR B. PRESS REPORTED PRIETO, PRESIDENT OF THE CHAMBER, SAID AT THE OPENING OF THE FIFTH NATIONAL CONGRESS OF THE FOUNDRY INDUSTRY TWO WEEKS AGO THAT NATIONAL STEEL DEMAND CANNOT BE MET BY MEXICAN INDUSTRY, REQUIRING IMPORTATION OF A COMMODITY ALREADY SCARSE WORLDWIDE. HE ADDED THE STEEL PROBLEM HAS BEEN AGGRAVATED BY THE PRICE FREEZE EFFECTIVE SINCE 1956. THIS, COMBINED WITH INCREASED COSTS,
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SUCH AS SALARY INCREASES TOTALLING 360 MILLION PESOS AND

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ELECTRICITY RATE INCREASE, ARE GRADUALLY REDUCING REINVESTMENT CAPACITY.

3. PRESS REPORTED PRIETO PREDICTED ABOVE MENTIONED PRICE RISE WILL BE COMBINED WITH SCARCITY FOR 1974. ALSO, SOME INDUSTRY MEN HAVE TOLD EMBOFF SCARCITY ALREADY EVIDENT IN SOME 1973 STEEL PRODUCTS, AND THE PRESS QUOTED PRIETO ESTIMATE OF 500,000 METRIC TON DEFICIT THIS YEAR. 1973 PRODUCTION IS ESTIMATED AT 5 MILLION TONS (METRIC). 1973 SIDERURGICAL IMPORTS OF STEEL AS WELL AS SCRAP, CAST IRON, COAL AND COKE WILL REACH 1,000 MILLION PESOS, WITH IMPORTED STEEL COSTING AN AVERAGE 40 TO 60 PERCENT MORE. PAPERS QUOTED PRIETO SAYING "WE HAVE PLACED THE PROBLEM IN THE HANDS OF THE INDUSTRY AND COMMERCE SECRETARIAT." HE ADDED THE PROPOSED 15 PERCENT PRICE INCREASE WILL NOT REALLY BE INFLATIONARY SINCE IT SHOULD ONLY REFLECT A SMALL PERCENTAGE, I.E. ONLY HALF A PERCENTAGE POINT, IN COST OF FINAL PRODUCTS SUCH AS CARS. SHORTLY AFTER PRIETO'S ANNOUNCEMENT THE PAPER EL HERALDO REPORTED THAT INDUSTRY AND COMMERCE SECRETARIAT IS CONSIDERING GRANTING PERMISSION AN AVERAGE OF 12 PERCENT STEEL PRICE RISE BEGINNING 1974.

4. DURING AND SINCE THE FOUNDRY CONGRESS THE FOLLOWING INDUSTRY OBSERVATIONS HAVE BEEN REPORTED IN
THE PRESS. METALLURGY EXPERTS ARE SAYING INSUFFICIENT STEEL SUPPLY IS DUE TO DECREASED INVESTOR INTEREST AND LACK OF GOVERNMENT ASSISTANCE. MEANWHILE, ATTENTION IS BEING FOCUSED ON BETTER QUALITY AT LOWER COST FOR BOTH DOMESTIC AND EXPORT MARKETS, WITH STEEL CENTERS SUCH AS MONTERREY, MONCLOVA, SALTILLO, PUEBLA, AND GUADALAJARA CREDITED WITH THE WORLD'S BEST TECHNOLOGY IN MINING AND PRODUCTION. INDUSTRY NOTES FIRST HALF 1973 STEEL DEMAND INCREASED 19.3 PERCENT OVER 1973 AND THIS JUNE, JULY AND AUGUST SHOWED RECORD SALES, AND INDUSTRY WARNS OF PROBLEMS THIS DEMAND WILL CAUSE THROUGH FULL CAPACITY PRODUCTION NECESSITATING SUSPENSION OR REPAIRS.

5. EMILIO KRIEGER VAZQUEZ, DIRECTOR GENERAL OF THE CIUDAD SAHAGUN COMPLEX, ALSO RECEIVED WIDE PRESS COVERAGE ON HIS SPEECH AT THE FOUNDRY CONGRESS CONCERNING THE PRESENCE OF MULTINATIONAL CORPORATIONS IN THE MEXICAN STEEL INDUSTRY. WHILE HE CRITICIZED THE TENDENCIES OF INDUSTRIALIZED NATIONS TO SHIFT THEIR MOST
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CONTAMINATING INDUSTRIAL PROCESSES TO THIRD WORLD NATIONS AND TO CAPITALIZE ON REDUCED LABOR COSTS, HE OBSERVED IT WOULD BE NEGATIVE TO REJECT MULTINATIONAL ENTERPRISES. HE ENCOURAGED THE ESTABLISHMENT OF MIXED ENTERPRISES WITH NATIONAL CAPITAL MAJORITY AT THE SAME TIME ADVOCATING STRONG GOV'T MEASURES TO PROTECT THE NATIONAL ENVIRONMENT, NATURAL RESOURCES, AND LABOR RIGHTS. KRIEGER PROPOSED THAT A) MULTINATIONAL ENTERPRISES PAY DOMESTIC SALARIES COMPARABLE TO BUYING POWER OF SALARIES IN

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COUNTRIES OF ORIGIN, B) MEXICAN GOVERNMENT STRONGLY ENFORCE NATURAL RESOURCES PROTECTION, C) ANTIPOLLUTION MECANISMS BE REQUIRED FOR PLANTS (A NATIONAL ANTIPOLLUTION COMMISSION THIS WEEK CITED THE STEEL INDUSTRY AS THE LEADING OFFENDER), AND D) TECHNOLOGY WHICH MEXICO LACKS BE TRANSFERRED OVER REASONABLE PERIOD OF TIME.

6. SEVERAL PAPERS REPORTED THAT PRESIDENT ECHEVERRIA HAS ORDERED THAT MEXICAN STEEL INDUSTRIALISTS SHOULD RECEIVE PRIORITY WHEN COMPETING WITH FOREIGNERS FOR GOVERNMENT ORDERS OF EQUIPMENT.
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